

Proposed Amendments to the Michigan Credit Union Act

Senate Banking Committee March 1, 2016



Helping Credit Unions Serve, Grow and Remain Strong.

Stephen Dedene, CUCE, BSACS Compliance Manager Credit Union ONE

Ken Ross, EVP/COO Michigan Credit Union League



Background

What is a credit union? MCL 490.102(I)

"Domestic credit union" means a cooperative, nonprofit entity organized under this act for the purposes of encouraging thrift among its members, providing a variety of financial services to its members, and providing an opportunity for its members to use and control their own money on democratic basis in order to improve their economic and social condition.



Background

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6.398 nationwide

(Year End 2014)

100 million members

274 Michigan Credit Unions

\$49 billion

4.725 million members

Median \$58mm

Average

\$178mm

State 174

Federal 100

MCUL = 99%

2014 Michigan Credit Union Financial Benefits

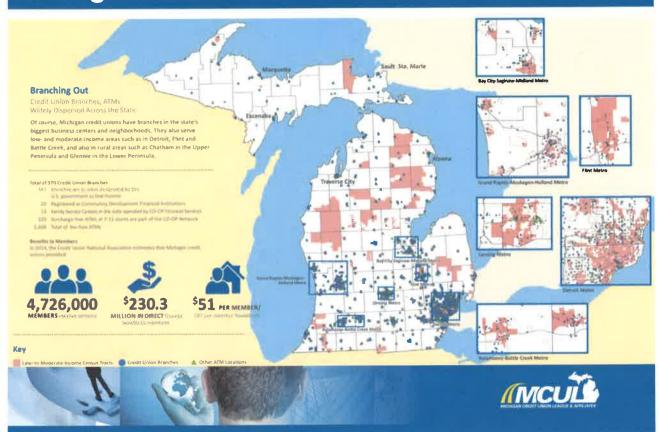
Higher yields on savings \$44.7 million Lower fees Lower loan rates

\$45.4 million \$196.8 million

Total 2014 Benefits \$287 million



Background



Background



33 CREDIT UNIONS

offer community development loans



333

CREDIT UNION PROFESSIONALS HAVE RECEIVED financial counseling training toward certification as a CUNA Certified Credit Union Financial Counselor (CCUFC) through funding from the Michigan Credit Union League



24,099
ADULTS
PARTICIPATING
in financial education

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SAVE TO WIN FAST FACTS



\$94 MILLION saved nationwide since 2009



50,000+ Save to Win accounts



\$2,500

Average size of a Save to Win account after first year



CREDIT UNIONS
WITH one or more
student credit union
locations



308
IN-SCHOOL credi



66,272 STUDENT MEMBERS



57 CREDIT UNIONS
participated in 2014







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Backdrop

After the Financial Turmoil...



Equal Credit – Reg. B Fair Debt Collection – Reg. F Privacy - Reg. P

Truth in Lending Z SAFE Act - Reg. G HMDA - Reg. C Fair Credit Reporting – Reg. V And many more...

FTC DOL DIFS FinCEN OFAC FRB DOJ NCUA

2016 – THE major issue is regulatory burden



Backdrop

Helping Credit Unions Serve, Grow and Remain Strong.

Long History Of Leadership

NASCUS Pierre Jay Award Winners from Michigan For lifetime of outstanding service & leadership.

1997 Mike Fitzgerald 2000 Gary Mielock

2011 Roger Little John Kolhoff 2011 Chairman, NASCUS 2015 Board member





Proposed Amendments

- 1. Regulatory Relief
- 2. Member Services
- 3. Empowering Boards of Directors
- 4. Exam Improvements
- 5. CU Regulatory Fund
- 6. Miscellaneous



Regulatory Relief

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Lift arbitrary cap on FIXED ASSETS for CU's with strong capital

- (1) 3 year pro forma showing profitable condition;
- (2) well capitalized;
- (3) no C&D, conservatorship or receivership last 3 years; and
- (4) Director rated them "sound" or "fundamentally sound" at last exam (CAMELS 1 or 2)

All other CU's have current 5% limit unless they get Director approval for more.

IT Vendor Contracts

Regulatory Reform

Streamlines excessively detailed contract requirements for IT vendors while ensuring that vendors with access to confidential information are subject to examination by the Director.



Member Services

Trust Services

Permit a credit union to invest in a Michigan-based CUSO offering Trust Services

Scholarships

Grants explicit statutory authority to provide educational scholarships.

Financial Counseling

Grants statutory authority to provide financial counseling services to any person in underserved areas.



Empowering Boards of Directors

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Authority - Delegation by Board to Management Regulatory Reform

Gives credit union boards the ability to delegate routine matters to senior management.

Minimum Number of Board Meetings

Regulatory Reform

Six meetings per year.

Allow Associate Board Members

Associate Board Member act in ex-officio capacity – allows for recruitment of new board members, and building of a "farm team" of future credit union volunteers.

Terminating / Suspending Membership

CEO can suspend or terminate membership for bad acts – w/ Board appeal



Exam Improvements

Privilege

Keeps exam reports, which contain highly sensitive, candid information about individual credit union financial strengths and challenges, confidential. If they can't be kept confidential, DIFS may stop issuing written reports.

Best Practices

Regulatory Reform

Keeps "best practices" out of exam finding and prevents punitive action if not required by law or safety & soundness (business judgment)

Transparency

Director to define examination scope and how appeals will be resolved within 1 year.



Credit Union Regulatory Fund

- Restricted funds, but subject to annual appropriation
- Carries forward no reversion to General Fund
- For credit union regulatory purposes
- Housed in the Department of Treasury



Miscellaneous

- Charitable Donation Accounts tracks Federal law
- Loan Promotion Raffles
- Later impermissible investments orderly divestment
- New aggregate lending authority for DIFS (related party borrowers imported from banking code negotiated two important allowances
 - (1) reasonable time to divest excess amounts (at least 180 days) and
 - (2) if well capitalized, allow DIFS to allow CU to set up a loan reserve for excess amounts rather than divesting



Questions?

